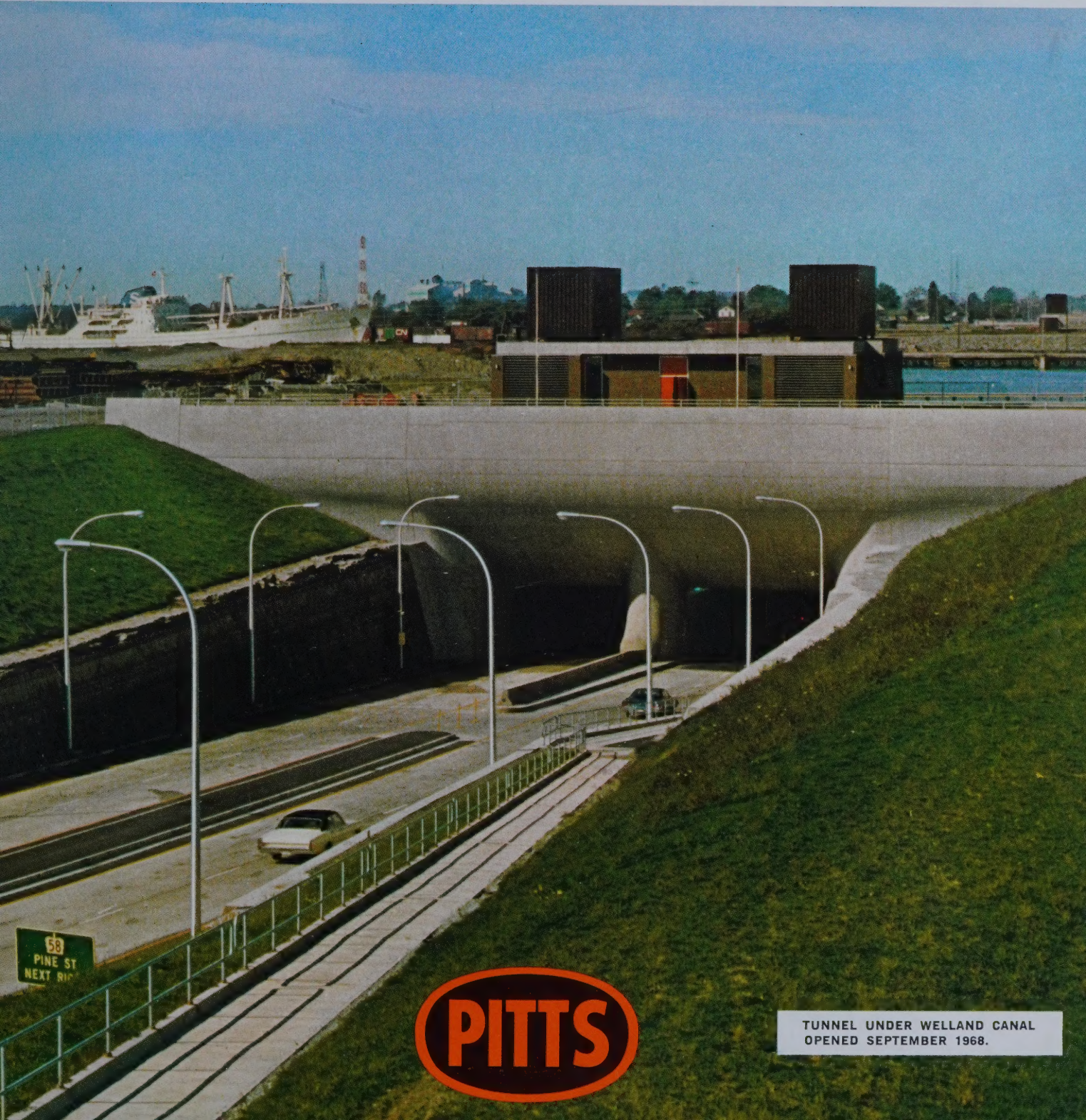


**C. A. PITTS ENGINEERING CONSTRUCTION LTD.**

1968 ANNUAL REPORT

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TUNNEL UNDER WELLAND CANAL  
OPENED SEPTEMBER 1968.





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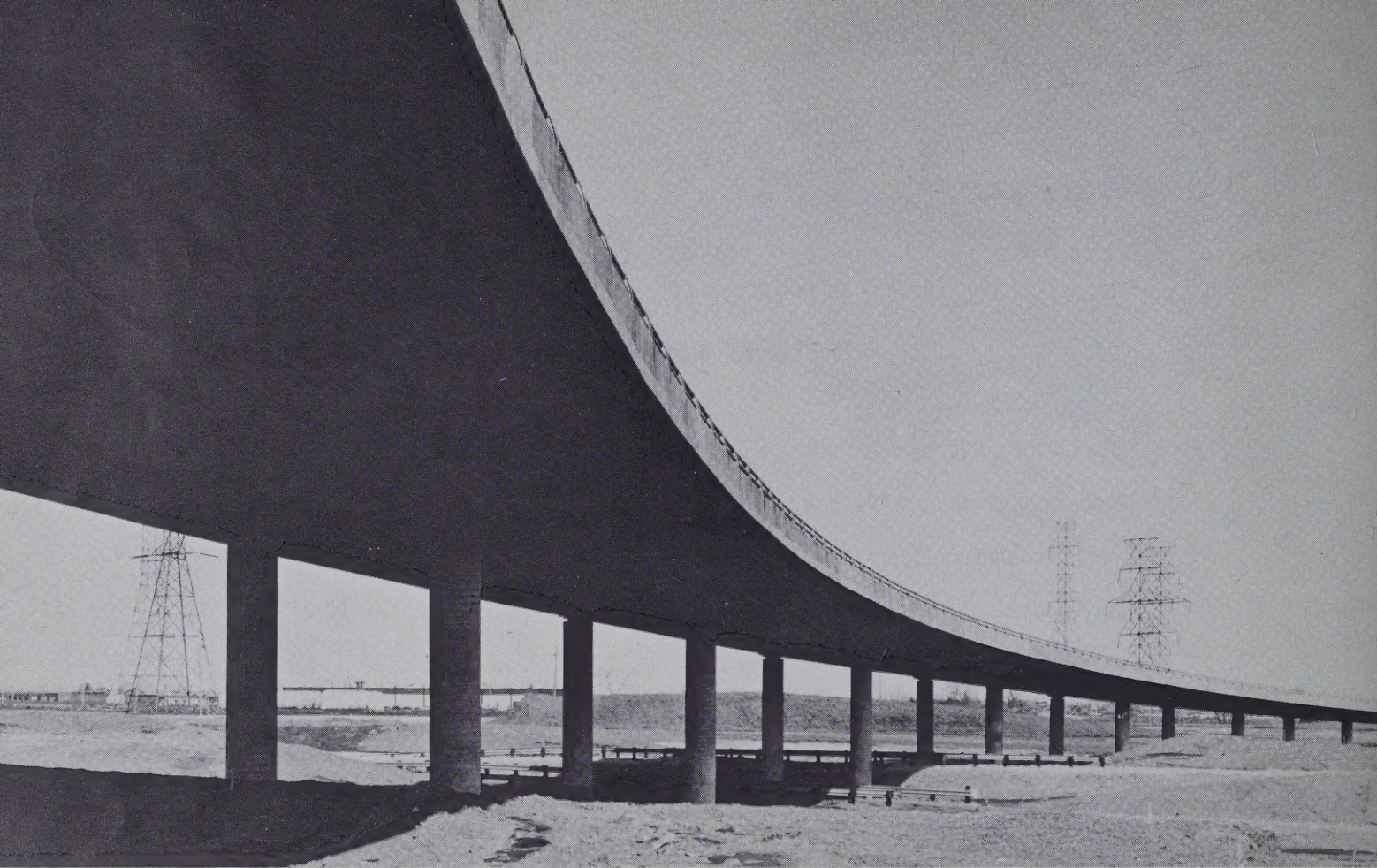
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### ***The Pitts Group of Engineering Construction Companies***

|                                           |                                            |
|-------------------------------------------|--------------------------------------------|
| C. A. Pitts Engineering Construction Ltd. |                                            |
| C. A. Pitts General Contractor Limited    | C. A. Pitts Construction (Ontario) Limited |
| Pitts Quebec Limited                      | Drake Construction Co. Ltd.                |
| Construction Improvements Limited         | Harco Construction Limited                 |

Ontario: 30 Commercial Road, Toronto 17, Telephone 416-421-7373  
 Quebec: 4480 Cote de Liesse Road, Suite 304, Montreal, Telephone 514-342-1746  
 Labrador: P.O. Box 177, Goose Bay, Telephone 709-896-5985





*1500 ft. bridge for Ontario Department of Highways forming part of MacDonald-Cartier Freeway and Highway No. 27 Interchange. Completed 1968.*

*Coal unloading Dock — Owner Ontario Hydro on the St. Clair River near Lambton, Ontario. Completed 1968.*





## FINANCIAL HIGHLIGHTS

|                                       | 1968                | 1967         | 1966         | 1965         | 1964         |
|---------------------------------------|---------------------|--------------|--------------|--------------|--------------|
| Revenue .....                         | <b>\$33,755,100</b> | \$28,706,532 | \$33,134,823 | \$20,468,641 | \$22,290,142 |
| Depreciation .....                    | <b>754,927</b>      | 643,065      | 595,273      | 465,658      | 429,918      |
| Provision for Taxes .....             | <b>1,873,000</b>    | 1,482,500    | 1,212,300    | 776,695      | 573,440      |
| Net Income .....                      | <b>1,635,630</b>    | 1,205,939    | 1,142,993    | 718,649      | 527,234      |
| Earnings Per Share .....              | <b>1.77</b>         | 1.30         | 1.24         | .78          | .57          |
| (Based on 925,000 outstanding shares) |                     |              |              |              |              |
| Working Capital .....                 | <b>2,798,369</b>    | 2,191,192    | 1,806,000    | 985,000      | 1,773,000    |

### DIRECTORS

William M. Bateman, P.Eng.  
Allan L. Beattie, Q.C.  
J. Corti Boland, Q.C.  
William C. Cole, P.Eng.  
Sydney C. Cooper, P.Eng.  
James D. Jarrell, B.Comm.  
James G. Pickard

### OFFICERS

Sydney C. Cooper, P.Eng., President & General Manager  
William M. Bateman, P.Eng., Vice-President & Chief Engineer  
William C. Cole, P.Eng., Vice-President  
J. Corti Boland, Q.C., Vice-President  
R. Bruce Magahay, P.Eng., Vice-President  
James D. Jarrell, B.Comm., Treasurer  
Stanley J. Viger, Assistant Treasurer

### Registrars and Transfer Agents

National Trust Company Limited  
Montreal, Toronto, Winnipeg, Calgary, and Vancouver  
  
Nova Scotia Trust Company  
Halifax, N.S.

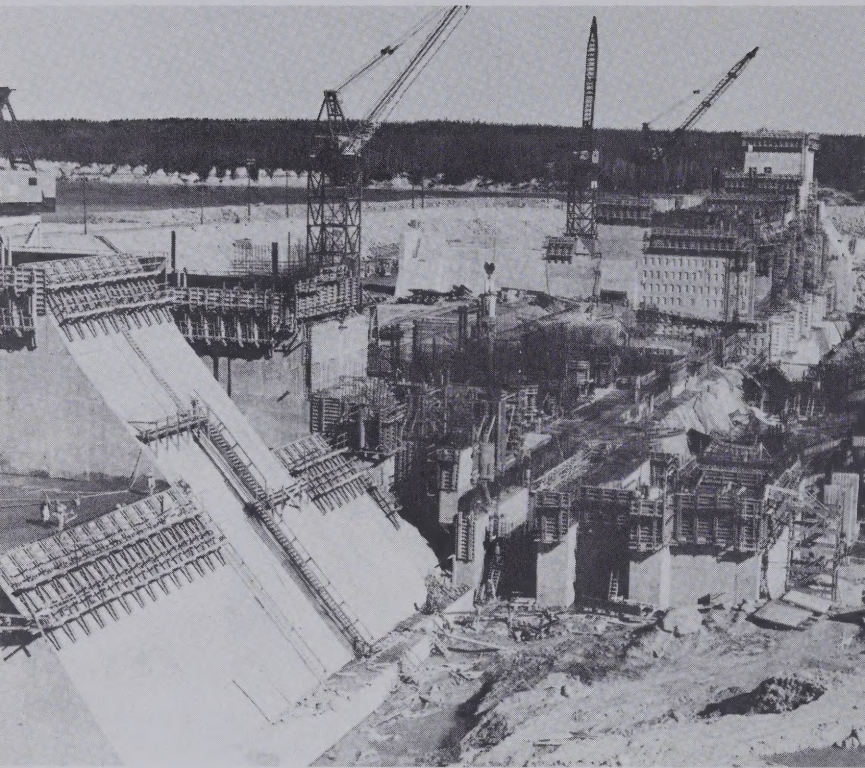
### General Counsel

Osler, Hoskin & Harcourt  
Toronto, Ontario

### Auditors

Ernst & Ernst  
Toronto, Ontario





## Kettle Rapids Power Project

The Kettle Rapids project, which will add one million kilowatts to the Manitoba Hydro-Electric system, is the first stage in the province's long-range program to develop the full potential of the Nelson River.

Situated 445 air miles north of Winnipeg, the job is being carried out in some of the country's most rugged terrain.

The Kettle contract includes construction of the 3800-ft-long, 130-ft-high concrete and earth-fill dam, including the powerhouse, intake and spillway structures.

Your company is a partner in the Consortium that was awarded this contract.

The total value of this contract now exceeds \$103,000,000.



## Lower Notch Power Project

The Lower Notch Generating Station for Ontario Hydro near Cobalt, Ont. will be a completely automated Plant. Pitts is the sponsor of the joint venture on this project which has a contract value in excess of \$30,000,000.



## REPORT TO THE SHAREHOLDERS

Operating revenue in 1968 reached a record level of \$33,755,100 an increase of 17.5% over 1967. Consolidated net earnings after depreciation and taxes were also at a record level of \$1,635,630 or \$1.77 per share, an increase of 36% over 1967. A quarterly dividend of .12½c on the common stock was declared payable on March 31, 1969. Subject to the review and approval of the Directors at the end of each quarter period it is our present intention to pay a total dividend during 1969 equal to .50c per common share.

Your company is in good financial condition. At year end cash and negotiable securities totalled \$3,353,000. Senior debt was reduced to \$400,000 payable March 15, 1969 and there was no bank debt.

During the year under review your company has been awarded nine contracts, three of which were joint ventures with other leading Canadian and U.S. Contractors. Your company is the manager (sponsor) of two of these joint venture projects. New work included the final portion of Ontario's Department of Highway's Q.E.W. and Highway 27, \$25,000,000 interchange (the earlier portions were also awarded to Pitts), two sections of the Welland Canal diversion project, (one of which is a joint venture,) a joint venture partnership in \$60,000,000 of contracts in Labrador at Brinco's Churchill Falls hydro-electric power development and a major award for the construction of Ontario Hydro's \$30,000,000 plus Lower Notch hydro-electric dam project near Cobalt, Ontario. On this latter project your company is the sponsoring partner and holds the major financial interest.

Projects reaching completion or substantial completion during the year included three Toronto area sections of the MacDonald-Cartier Freeway and a section of the MacDonald-Cartier Freeway west of Brockville, Ontario. The \$18,000,000 Thorold vehicular tunnel under the Welland Canal was opened to traffic in September and two major docks, one for Gulf Oil Ltd., at Clarkson, Ontario and one for the Ontario Hydro at Lambton, Ontario were completed. In Toronto a \$1,500,000 sewer and channel improvement

contract on the Don River and a \$2,000,000 highway interchange contract in the north west section of Metro were completed.

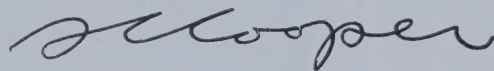
Work is progressing satisfactorily on the Manitoba Hydro's Kettle generating station in Northern Manitoba. Your company is a member of the joint venture construction group and this project was 55% complete at year end. Except for a small dredging project obtained and completed near Port Dover, Ontario on Lake Erie most of your company's dredging fleet remained idle during the year due to a low cycle in the dredging industry. When this type of work increases in volume within the Great Lakes system your company is in an excellent position to be an active participant. The remainder of our marine construction fleet was actively engaged during most of 1968.

We are optimistic for the year 1969. Our work backlog of \$49,000,000 at year end is well blended both in size, type of work and completion status. Backlog for the previous year end was \$26,000,000. Our large diversified equipment fleet and your company's ability to participate in all phases of civil engineering construction, land or marine give us the flexibility that is so essential to maintain a flow of desirable business at a profitable level.

Your company, in view of its liquid position, competent senior management group and an emerging group of younger capable managers and supervisors is interested in expanding the scope and size of its operations into related areas of activities.

Since the company's formation in 1942, our employees have been our most valuable asset. We acknowledge with appreciation their loyalty and hard work.

On behalf of the Board of Directors



S. C. Cooper, P.Eng.,  
President & General Manager





*Ontario Department of Highways Interchange:  
Queen Elizabeth Way and Highway 27, Toronto, Ont.  
Encompassing 4 contracts, with 14 Bridges and  
having a total contract value of approximately  
\$25,000,000. — 80% complete Dec. 31, 1968.*







# **CONSOLIDATED BALANCE SHEET**

## **C. A. PITTS ENGINEERING CONSTRUCTION LIMITED AND SUBSIDIARIES**

|                                                                                            | ASSETS               |                     |
|--------------------------------------------------------------------------------------------|----------------------|---------------------|
|                                                                                            | DECEMBER 31,<br>1968 | 1967                |
| <b>CURRENT ASSETS</b>                                                                      |                      |                     |
| Cash .....                                                                                 | \$ 2,820,581         | \$ 3,631,424        |
| Marketable securities—Note 2 .....                                                         | 532,689              | 411,488             |
| Accounts receivable .....                                                                  | 3,898,532            | 3,929,619           |
| Advances to directors .....                                                                | 51,180               | 215,483             |
| Investment in joint ventures—Note 3 .....                                                  | 2,933,228            | 2,653,480           |
| Unbilled contract costs—Note 4 .....                                                       | 364,352              | 446,125             |
| Prepaid income taxes—Note 5 .....                                                          | 1,147,268            | 1,041,886           |
| <b>TOTAL CURRENT ASSETS</b>                                                                | <b>\$11,747,830</b>  | <b>\$12,329,505</b> |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>                                                       |                      |                     |
| Land (\$3,500), building (\$27,000) and marine and construction<br>equipment—at cost ..... | \$ 7,166,341         | \$ 4,957,969        |
| Less allowances for depreciation .....                                                     | 2,564,636            | 1,986,090           |
|                                                                                            | <b>\$ 4,601,705</b>  | <b>\$ 2,971,879</b> |
| <b>ORGANIZATION EXPENSE</b> .....                                                          | —                    | 31,729              |
| <b>EXCESS COST OF SHARES ACQUIRED OVER NET ASSETS OF<br/>SUBSIDIARIES</b> .....            | <b>25,901</b>        | <b>25,901</b>       |
|                                                                                            | <b>\$16,375,436</b>  | <b>\$15,359,014</b> |

The accompanying notes are an integral part of this financial statement.



## CONSOLIDATED BALANCE SHEET

### C. A. PITTS ENGINEERING CONSTRUCTION LIMITED AND SUBSIDIARIES

#### LIABILITIES

|                                            | DECEMBER 31, |              |
|--------------------------------------------|--------------|--------------|
|                                            | 1968         | 1967         |
| CURRENT LIABILITIES                        |              |              |
| Accounts payable . . . . .                 | \$ 3,925,261 | \$ 4,390,102 |
| Debentures payable—Note 6 . . . . .        | 400,000      | 350,000      |
| Deferred contract revenue—Note 4 . . . . . | 4,054,392    | 4,249,429    |
| Income taxes—Note 5 . . . . .              | 569,808      | 1,148,782    |
| TOTAL CURRENT LIABILITIES                  | \$ 8,949,461 | \$10,138,313 |
| DEFERRED INCOME TAXES—Note 5 . . . . .     | 1,487,200    | 857,200      |
| DEBENTURES PAYABLE—Note 6 . . . . .        | —            | 400,000      |

#### SHAREHOLDERS' EQUITY

|                            |              |              |
|----------------------------|--------------|--------------|
| SHARE CAPITAL—Note 7       |              |              |
| Common shares . . . . .    | \$ 235,845   | \$ 1,900     |
| Class A shares . . . . .   | 1,055        | —            |
|                            | \$ 236,900   | \$ 1,900     |
| EARNED SURPLUS . . . . .   | 5,701,875    | 3,961,601    |
| TOTAL SHAREHOLDERS' EQUITY | \$ 5,938,775 | \$ 3,963,501 |
|                            | \$16,375,436 | \$15,359,014 |

Approved on behalf of the Board

S. C. Cooper, Director

J. D. Jarrell, Director



# STATEMENT OF CONSOLIDATED INCOME

## C. A. PITTS ENGINEERING CONSTRUCTION LIMITED AND SUBSIDIARIES

|                                       | YEAR ENDED DECEMBER 31, |                     |
|---------------------------------------|-------------------------|---------------------|
|                                       | 1968                    | 1967                |
| Contract revenue .....                | \$33,755,100            | \$28,706,532        |
| Contract costs .....                  | 28,131,138              | 24,109,729          |
|                                       | <u>\$ 5,623,962</u>     | <u>\$ 4,596,803</u> |
| Expenses:                             |                         |                     |
| Depreciation of equipment .....       | \$ 758,472              | \$ 643,065          |
| Equipment, yard and shop .....        | 484,430                 | 454,973             |
| Administrative .....                  | 1,033,209               | 925,460             |
|                                       | <u>\$ 2,276,111</u>     | <u>\$ 2,023,498</u> |
|                                       | <u>\$ 3,347,851</u>     | <u>\$ 2,573,305</u> |
| Other income:                         |                         |                     |
| Interest .....                        | \$ 83,409               | \$ 95,306           |
| Profit on disposal of equipment ..... | 59,976                  | 18,069              |
| Miscellaneous .....                   | 17,394                  | 1,759               |
|                                       | <u>\$ 160,779</u>       | <u>\$ 115,134</u>   |
| INCOME BEFORE INCOME TAXES            | \$ 3,508,630            | \$ 2,688,439        |
| Income taxes—Note 5:                  |                         |                     |
| Currently payable .....               | \$ 1,334,000            | \$ 1,161,500        |
| Deferred .....                        | 539,000                 | 96,000              |
|                                       | <u>\$ 1,873,000</u>     | <u>\$ 1,257,500</u> |
| NET INCOME                            | <u>\$ 1,635,630</u>     | <u>\$ 1,430,939</u> |

The accompanying notes are an integral part of this financial statement.



## STATEMENT OF CONSOLIDATED EARNED SURPLUS

### C. A. PITTS ENGINEERING CONSTRUCTION LIMITED AND SUBSIDIARIES

|                                                      | YEAR ENDED DECEMBER 31, |                    |
|------------------------------------------------------|-------------------------|--------------------|
|                                                      | 1968                    | 1967               |
| Earned surplus at beginning of the year—Note 1 ..... | \$3,961,601             | \$2,530,662        |
| Net income for the year .....                        | 1,635,630               | 1,430,939          |
| Income tax adjustment for prior years .....          | 194,500                 | —                  |
|                                                      | <u>\$5,791,731</u>      | <u>\$3,961,601</u> |
| Deductions:                                          |                         |                    |
| Organization expenses written off .....              | \$ 31,729               | —                  |
| Dividends paid:                                      |                         |                    |
| Class A shares—1c per share .....                    | \$ 5,000                | —                  |
| Common shares—12½c per share .....                   | 53,127                  | —                  |
|                                                      | <u>\$ 58,127</u>        | <u>—</u>           |
|                                                      | <u>\$ 89,856</u>        | <u>—</u>           |
| EARNED SURPLUS AT END OF THE YEAR                    | <u>\$5,701,875</u>      | <u>\$3,961,601</u> |

The accompanying notes are an integral part of this financial statement.

## STATEMENT OF SOURCE AND APPLICATION OF CONSOLIDATED FUNDS

### C. A. PITTS ENGINEERING CONSTRUCTION LIMITED AND SUBSIDIARIES

|                                                        | YEAR ENDED<br>DECEMBER 31, 1968 |
|--------------------------------------------------------|---------------------------------|
| <b>SOURCE OF FUNDS</b>                                 |                                 |
| Net income for the year .....                          | \$1,635,630                     |
| Provision for depreciation .....                       | 758,472                         |
| Increase in deferred income taxes .....                | 630,000                         |
| TOTAL FROM OPERATIONS                                  | <u>\$3,024,102</u>              |
| Increase in issued share capital .....                 | \$ 235,000                      |
| Income tax adjustment for prior years .....            | 194,500                         |
|                                                        | <u>\$ 429,500</u>               |
|                                                        | <u>\$3,453,602</u>              |
| <b>APPLICATION OF FUNDS</b>                            |                                 |
| Cash dividends .....                                   | \$ 58,127                       |
| Additions to property, plant and equipment (net) ..... | 2,388,298                       |
| Debentures currently payable .....                     | 400,000                         |
|                                                        | <u>\$2,846,425</u>              |
| Increase in working capital .....                      | 607,177                         |
|                                                        | <u>\$3,453,602</u>              |

NOTE: In view of the inclusion of the accounts of Drake Construction Co. Ltd. as explained in Note 1, the presentation of a statement of source and application of consolidated funds for the year ended December 31, 1967 would not be comparable.



## NOTES TO FINANCIAL STATEMENTS

### C. A. PITTS ENGINEERING CONSTRUCTION LIMITED AND SUBSIDIARIES

December 31, 1968

#### Note 1—Principles of Consolidation

The consolidated financial statements comprise the accounts of the Company and its wholly owned subsidiaries, C. A. Pitts General Contractor Limited, C. A. Pitts Construction (Ontario) Limited, Drake Construction Co. Ltd., Pitts Quebec Limited, Harco Construction Limited, and Construction Improvements Limited. Inter-company accounts and transactions have been eliminated.

Under an agreement dated June 30, 1966, S. C. Cooper, then the beneficial owner of all the shares of C. A. Pitts Engineering Construction Limited, acquired 22,390 preferred shares and 125 common shares of Drake Construction Co. Ltd. (being 50% of the issued shares of each class) and obtained an option, exercisable until January 2, 1969, on the balance of the outstanding preferred and common shares. The price of the shares purchased and under option is in part dependant on operating results and other considerations, but the maximum amount payable for all the preferred and common shares approximates \$300,000. On September 20, 1968 S. C. Cooper sold the shares of Drake Construction Co. Ltd. held by him to C. A. Pitts Engineering Construction Limited at his cost and assigned his option to the Company, which in turn has exercised the option.

The accounts of Drake Construction Co. Ltd. have been included in the consolidation from June 30, 1966 because it was an integral part of the Pitts operating companies.

#### Note 2—Marketable Securities

| Description                                                                                                                       | Cost             | Approximate<br>Market<br>December 30,<br>1968 |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------|
| 62,835 Common shares<br>of Standard Paving<br>Limited . . . . .                                                                   | \$475,685        | \$581,224                                     |
| \$57,000 7½% Convert-<br>ible Debentures<br>Series A due Febru-<br>ary 15, 1983 of<br>Peace River Mining<br>& Smelting Ltd. . . . | 57,004           | 65,000                                        |
|                                                                                                                                   | <u>\$532,689</u> | <u>\$646,224</u>                              |

#### Note 3—Investment in Joint Ventures

Investment in joint ventures is stated as the amount of outstanding advances adjusted by the Company's share of the undistributed earnings or of losses of the joint ventures.

#### Note 4—Basis of Accounting for Income from Contracts

Income on lump sum and unit price construction contracts is recognized on a percentage of completion basis, such percentage being determined by relating billing to date on work performed to date to the current estimate of total contract revenue. Full provision is made for estimated losses and claims are recorded in revenue when received. Unbilled contract costs represent the excess of contract revenue recognized to date on the percentage of completion basis over billings to date. Deferred contract revenue represents the excess of billings to date over the



amount of revenue recognized to date on the percentage of completion basis.

#### **Note 5—Income Taxes**

Income taxes have been provided on the basis of income shown on the financial statements of the companies. Income tax returns are filed on a basis in which (a) income from contracts as described in Note 4 is adjusted by net holdbacks and by the difference between costs actually incurred and those applied as described in the aforesaid note, and (b) capital cost allowance is claimed in amounts which vary from depreciation charged in the accounts.

Since income taxes have been provided individually for the companies consolidated, the basis of providing taxes on income from contracts has created both prepaid and liability positions, shown in current sections of the consolidated balance sheet. Deferred income taxes represent the aggregate tax postponement from capital cost allowances claimed in excess of depreciation recorded.

#### **Note 6—Debenture Payable**

Non-interest bearing, maturing on March 15, 1969, secured by first fixed and specific charge on the construction equipment of the Company and its subsidiaries and a floating charge on the undertakings and the remaining property and assets of the Company and its subsidiaries.

#### **Note 7—Share Capital**

By supplementary letters patent issued on October 7, 1968, 598,100 unissued common shares without par value were subdivided into 1,350,000 common shares without par value, and the 1,900 issued and outstanding common shares were subdivided and reclassified into 500,000 Class A shares without par value and 400,000 common shares without par value. Under a prospectus dated October 16, 1968 25,000 common shares were issued for a consideration

of \$235,000. The authorized and issued shares at December 31, 1968 and 1967 therefore were:

|                | <b>December 31,</b> | <b>December 31,</b> |
|----------------|---------------------|---------------------|
|                | <b>1968</b>         | <b>1967</b>         |
| <b>Common</b>  |                     |                     |
| Authorized     | 1,750,000           | 600,000             |
| Issued:        |                     |                     |
| Shares         | 425,000             | 1,900               |
| <b>Class A</b> |                     |                     |
| Authorized     | 500,000             | —                   |
| Issued:        |                     |                     |
| Shares         | 500,000             | —                   |

Options have been granted to employees for 25,000 common shares at \$9.00 per share and to underwriters for 10,000 common shares at \$10.00 per share.

#### **Note 8—Commitment**

Land and buildings are occupied under a 15-year lease dated November 20, 1964 at an annual rental of \$65,250 with options to purchase.

#### **Note 9—Litigation**

A joint venture in which a subsidiary holds a 40% interest brought successful action against a sub-contractor for non-performance, and under the terms of the judgement was awarded damages. Subsequent action was brought against the insurance company which bonded the sub-contractor which action was also successful. Both defendants appealed, but the Court of Appeal of the Province of Quebec confirmed damages in the amount of \$606,874 plus interest. Since the award has been appealed to the Supreme Court of Canada, no part has been recorded in the accounts of the subsidiary.

#### **Note 10**

The aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company for the fiscal year ended December 31, 1968 amounted to \$250,000.



## AUDITORS' REPORT

To the Shareholders,  
C. A. Pitts Engineering Construction Limited.

We have examined the consolidated financial statement of C. A. Pitts Engineering Construction Limited and its subsidiaries for the year ended December 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statement for the preceding year.

In our opinion, the accompanying balance sheet and statements of income, earned surplus and source and application of funds presents fairly the consolidated financial position of C. A. Pitts Engineering Construction Limited and its subsidiaries at December 31, 1968, and the consolidated results of their operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied, with the explanation relating to Drake Construction Co. Ltd. in Note 1 of Notes to Financial Statements on a basis consistent with that of the preceding year.

TORONTO, ONT.  
February 28, 1969.

ERNST & ERNST  
Chartered Accountants





Gulf Oil Canada Ltd.  
Unloading Dock — Clarkson, Ont.  
Completed 1968.

On the Welland Canal diversion,  
Pitts are excavating more than  
12 million cubic yards of material  
using 24 cubic yard scrapers.







## Churchill Falls Power Project

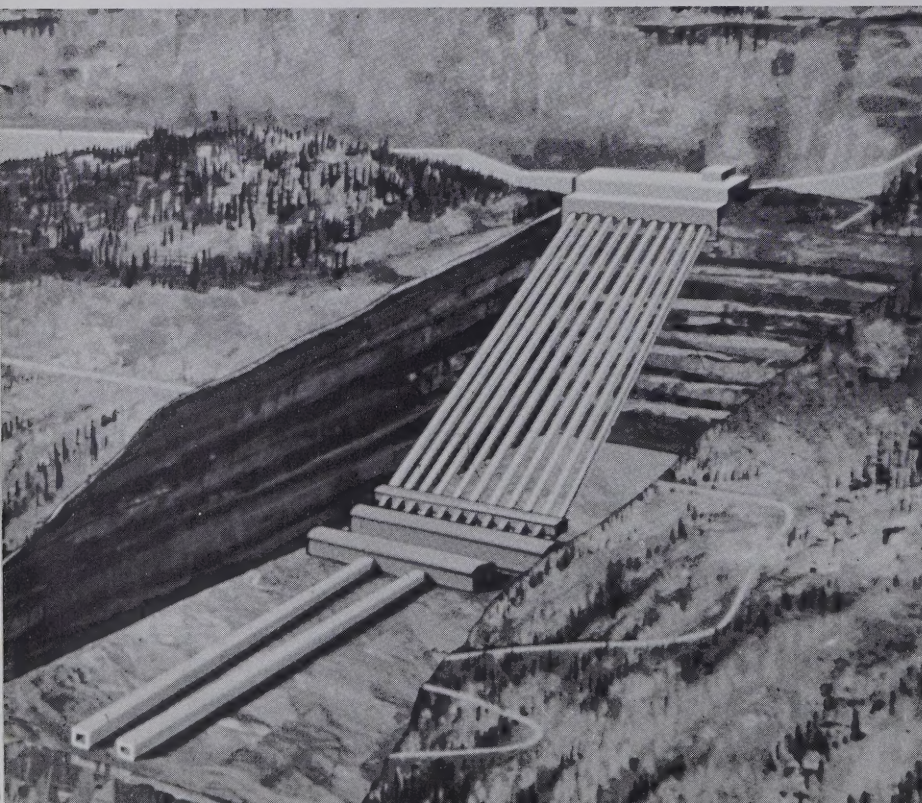
Almost a thousand feet beneath the remote Labrador bush 700 miles northeast of Montreal, rock crews are carving out the vast caverns that will one day house the giant billion-dollar Churchill Falls hydroelectric development.

When its 11 generators are finally installed in 1976, the Churchill Falls station will have a capacity of 7.4 million horsepower making it one of the largest generating stations in the world.

Pitts is proud to be a partner in Churchill Constructors, who were the consortium awarded the contract for this underground powerhouse. Total contracts now held are in excess of \$60,000,000.

Churchill Constructors' contract involves almost 1.5 million cubic yards of underground rock excavation for three huge chambers — the powerhouse cavern, the surge chamber and the transformer gallery — along with a mass of connecting tunnels and shafts.

In addition, Churchill Constructors will place the concrete in the underground complex, install imbedded conduits, piping and rock anchors, place the equivalent of nearly 100 miles of rock bolting, drill a total of about 25 miles of various sized holes for rock treatment and water pressure relief and build the intake structure.



*Top, the remote and little-known, 245 foot high Churchill Falls, almost 100 feet higher than Niagara will vanish when the Hamilton River is diverted through the huge underground power station shown in the cut-away drawing at left. Bypassing several long rapids as well, the station will have an operating head of over a thousand feet.*





THREE LEVEL INTERCHANGE, HIGHWAY 400 AND  
MACDONALD-CARTIER FREEWAY — BUILT FOR  
ONTARIO DEPARTMENT OF HIGHWAYS.



**PITTS**